

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

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In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO

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Title III

No. 17 BK 3283-LTS

This Motion relates only to the Commonwealth and shall only be filed in the lead Case No. 17 BK 3283-LTS.

**INFORMATIVE MOTION REGARDING ENTITIES CONSTITUTING
THE CENTRAL GOVERNMENT OF THE COMMONWEALTH**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) as the entity authorized to act on behalf of the Commonwealth of Puerto Rico (the “Commonwealth”), pursuant to the authority granted to it under the *Enabling Act of the Fiscal Agency and Financial Advisory*

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Authority, Act 2-2017, respectfully submits this informative motion (the “Motion”) to identify the governmental entities that constitute the central government of the Commonwealth (the “Central Government”) to assist parties required to file proofs of claim against the Commonwealth pursuant to the Bar Date Order (as defined below). The list of entities that constitute the Central Government is attached to this Motion as Exhibit B (the “Central Government Entities List”).² The method by which the Central Government Entities List was compiled is explained in the *Declaration of Scott Rinaldi in Support of the Informative Motion Regarding Entities Constituting the Commonwealth* attached hereto as Exhibit A (the “Rinaldi Declaration”). In further support of this Motion, AAFAF respectfully represents as follows:³

I. BACKGROUND

1. On January 16, 2018, the Debtors filed the *Motion for Order (A) Establishing Deadlines and Procedures for Filing Proofs of Claim and (B) Approving Form and Manner of Notice Thereof* [ECF No. 2255], which set certain deadlines for creditors to file proofs of claim against the Debtors, including the entities comprising the Commonwealth.

2. On February 15, 2018, the Court entered an order establishing May 29, 2018 at 4:00 p.m. (AST) as the deadline to file proofs of claim against the Commonwealth and the other Title III Debtors in each of their respective Title III cases [ECF No. 2521] (the “Bar Date Order”).

3. The Central Government provides basic services to the people of Puerto Rico in the areas of education, health, public housing, welfare, public safety, economic development, and payment of debt. In carrying out these operations and activities, the Central Government acts

² The Financial Oversight and Management Board for Puerto Rico, as the Debtors’ representative pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act*, has reviewed and approved the Central Government Entities List and authorized AAFAF to file this Motion on behalf of the Commonwealth.

³ AAFAF reserves its right to amend or supplement the Central Government Entities List, including AAFAF’s right to add or subtract entities from the list.

through certain agencies and entities. In order to avoid confusion and provide further clarity, the Central Government Entities List has been compiled to alert creditors doing business with such entities of their entitlement to prepare and file proofs of claim in compliance with the Bar Date Order. Pursuant to the Bar Date Order, the Central Government Entities List will be published on the Debtors' case website at <https://cases.primeclerk.com/puertorico/>. Further, the Central Government Entities List will be attached to the reminder notice of the Bar Date, which will be published on or before April 27, 2018 in (a) *El Nuevo Día* in Spanish (primary circulation is in Puerto Rico), (b) *Caribbean Business* in English (primary circulation is in Puerto Rico), (c) *El Diario* and *El Nuevo Herald*, both in Spanish (primary circulation is in New York and Miami, respectively), and (d) *The Bond Buyer*.

II. STRUCTURE OF THE CENTRAL GOVERNMENT

4. The Constitution of the Commonwealth of Puerto Rico (the “Commonwealth Constitution”) provides for a republican form of government comprised of the executive, legislative, and judicial branches. The executive power is vested in the Governor, who is elected by direct vote in each general election. Pursuant to the Commonwealth Constitution, for the purpose of exercising the executive power, the Governor is assisted by Secretaries, which are appointed by the Governor with the advice and consent of the Senate. Such Secretaries head the executive departments created under the Commonwealth Constitution and the laws of the Commonwealth. The Commonwealth’s executive departments perform a wide range of governmental functions. Existing departments include the Agriculture, Family, Economic Development and Commerce, Transportation, and State Departments. The executive branch also includes numerous agencies and offices, which, along with the executive departments, form part of the Central Government.

5. The executive branch has multiple independent public corporations and instrumentalities, which constitute legal entities separate from the Commonwealth pursuant to their enabling legislation and are not considered part of the Central Government. Historically, independent public corporations and instrumentalities were created to manage discreet government assets or to carry out commercial activities. For instance, the Puerto Rico Highways and Transportation Authority was originally created to assume responsibility for the construction of roads, highways, and related transportation facilities in the Commonwealth. Furthermore, the Puerto Rico Electric Power Authority owns all transmission and distribution facilities and most of the generating facilities that constitute the Commonwealth's electric power system, and supplies all of the electricity consumed in the Commonwealth. The role of public corporations, however, has expanded throughout the years and certain public corporations now perform more traditional government functions. Public corporations may obtain revenues from rates charged for services or products, but some also receive sizable subsidies from the Central Government. Most public corporations are governed by boards whose members are appointed by the Governor with the advice and consent of the Senate.

III. PREPARATION OF THE CENTRAL GOVERNMENT ENTITIES LIST

6. To determine which governmental entities constitute the Commonwealth, AAFAF, worked with various entities, including the Puerto Rico Department of Justice (the "PRDOJ"), Ankura, and outside counsel to AAFAF. As a preliminarily matter, Ankura began its review by including all governmental agencies and departments, excluding public corporations, in the initial proposed list of entities that constitute the Central Government. To formulate the initial entity list, Ankura reviewed, among other things, (i) both Spanish and English text versions of the Functional Structure of the Government of Puerto Rico, dated March 2, 2017; (ii) the Utility Provider List

(Schedule 1) attached to the *Order (A) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment* [ECF No. 1016]; (iii) the Central Government List prepared by the PRDOJ (the “PRDOJ Government List”); and (iv) the Financial Oversight and Management Board for Puerto Rico’s Covered Entities List.

7. After Ankura prepared the initial list of Central Government entities, Ankura relied on certain representations made by AAFAF and its outside counsel with respect to the review of each individual entity’s enabling act to determine if the legislative language described such entity as “independent,” a “legally separate entity,” or a “public entity.” If the enabling act included any of these characterizations, generally, such entity was removed from the Central Government Entities List, unless other considerations, such as the entity’s close nexus to the Central Government, suggested that it should be considered part of the Commonwealth regardless. If the legislative language in the respective enabling act did not allow for conclusive relationship to be drawn, individual sources of Commonwealth funding were reviewed to determine the entity’s relationship with the Commonwealth. Based on this review, Ankura, along with AAFAF and its other advisors, determined that entities without general fund appropriations should usually be considered separate from the Commonwealth. Additional documentation was also reviewed to determine which entities are entitled to file for relief under Title III of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”), and therefore should not be included in the Central Government Entities List, and which agencies had a close enough nexus to the Central Government to constitute an entity of the Commonwealth.

8. Based on this diligence and review, along with discussions with AAFAF and its advisors, the entities set forth on the Central Government Entities List are to be considered part of

the Commonwealth and its Title III case, subject to the automatic stay set forth in Bankruptcy Code sections 362 and 922, made applicable by PROMESA section 301(a), and the Bar Date Order. The Central Government Entities List has been carefully prepared and reasonably calculated to provide creditors with all necessary information to assist them in identifying which entities to file proofs of claim against. Parties asserting claims should not assume they do not have to file proofs of claim solely because such claim is not being asserted directly against the Commonwealth. All parties asserting claims against an entity identified in the Central Government Entities List should carefully review the Bar Date Order to determine whether they need to file a proof of claim against the Commonwealth for such claims.

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Dated: March 29, 2018
San Juan, Puerto Rico

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Advisory Authority*

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Advisory Authority*

Exhibit A

Rinaldi Declaration

UNITED STATES DISTRICT COURT
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DECLARATION OF SCOTT RINALDI IN SUPPORT OF THE INFORMATIVE MOTION REGARDING ENTITIES CONSTITUTING THE COMMONWEALTH

I, Scott Rinaldi, declare under penalty of perjury:

1. I am a Managing Director at Ankura Consulting Group (“Ankura”), who has been retained to provide financial advisory services to the Debtors. I have over 20 years of experience

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providing strategic, operational, managerial, and financial solutions to distressed companies as well as creditors in both in- and out-of-court restructurings. I am generally familiar with Commonwealth, its day-to-day operations, financial matters, and its related entities. I submit this declaration in support of *Informative Motion Regarding Entities Constituting the Commonwealth* (the “Motion”) and to further elaborate on the methodology used and assumptions made in preparing the Central Government Entities List.² Except as otherwise indicated, all facts set forth below are based on my personal knowledge or representations made by AAFAF’s outside counsel and other advisors, my discussions with AAFAF and its outside counsel, my review of relevant documents (as further described below), or my opinion based on my experience, knowledge, and information concerning the Commonwealth’s operations.

I. Diligence and Documentation Reviewed

2. Ankura, along with AAFAF’s outside counsel, spent several weeks reviewing documentation provided to us by AAFAF and the PRDOJ. Specifically, our diligence included, among other things, the review of (i) both Spanish and English text versions of the Functional Structure of the Government of Puerto Rico, dated March 2, 2017 (“Functional Commonwealth Structure Chart”); (ii) the Utility Provider List (Schedule 1) attached to the *Order (A) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment* [ECF No. 1016]; (iii) the PRDOJ Government List; and (iv) the Financial Oversight and Management Board for Puerto Rico’s Covered Entities List.

3. In conducting diligence, we used certain methodologies and made certain assumptions. Additionally, we relied on representations made to us by AAFAF and its outside

² All capitalized terms not defined herein have meanings ascribed to them in the Motion.

advisors. Preliminarily, we established that all governmental agencies, excluding public corporations, would be classified as part of the Government, subject to additional review for appropriate exclusions and inclusions. We then relied on certain representations made by AAFAF and its outside counsel with respect to the review of individual entity's enabling act to determine if the legislative language described such entity as "independent," a "legally separate entity," or a "public entity." If the enabling act included any of these characterizations, generally, we removed such entity from the Central Government Entities List, unless other considerations, such as the entity's close nexus to the Central Government, suggested that it should be considered part of the Commonwealth regardless. If the legislative language in the respective enabling act did not allow us to draw a conclusive relationship, we then reviewed individual sources of Commonwealth funding to determine the entity's relationship with the Commonwealth. Based on this review, we, along with AAFAF and its other advisors, determined that entities without general fund appropriations should usually be considered separate from the Commonwealth. However, all entities receiving general fund appropriations were not automatically considered part of the Commonwealth.

4. Additionally, we, along with AAFAF's outside counsel, reviewed documentation to determine which entities are entitled to file for relief under Title III of PROMESA, and therefore should not be included in the Central Government Entities List, and which entities had a close enough nexus to the Government to constitute an entity of the Commonwealth. Specifically, we reviewed the seventeen entities found on Schedule 1 to the Utilities Order to determine whether the entity existed within a Central Government agency, and therefore could be considered part of the Commonwealth. Further, we reviewed the Financial Oversight and Management Board for Puerto Rico's Covered Entities List to remove or add any additional entities to our findings.

5. Lastly, we reviewed the Central Government Entities List for entities that were not found on either the Utilities Order or Financial Oversight and Management Board for Puerto Rico's Covered Entities List to determine if any additional entities had a close enough nexus to the Commonwealth to constitute an entity of the Commonwealth. Here, we reviewed each entity's enabling act, sources of government funding, and relationship to other departments and agencies. Further, we determined that entities that are considered part of the judicial and/or legislative branches in the Functional Commonwealth Structure Chart were to be considered part of the Commonwealth.

Dated: March 29, 2018

/s/ Scott Rinaldi

Exhibit B

Central Government Entities List

Functional Structure of the Government of Puerto Rico

The information contained herein is based on Ankura Consulting Group's understanding of the Central Government of Puerto Rico's ("Central Government") operations, review of relevant documents related to the Central Government, and information provided by outside counsel to the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") related to the entities that comprise the Central Government. AAFAF, the Central Government, and each of their respective officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates make no representation or warranty, express or implied, to any third party with respect to the information contained herein and all such parties expressly disclaim any such representations or warranties.

Agency	Agencia
911 Emergency System Bureau	Negociado de Sistemas de Emergencia 9-1-1
Bureau of Special Investigations	Negociado de Investigaciones Especiales (NIE)
Chief of Staff	Secretaria de la Gobernacion
Child Support Administration	Administracion para el Sustento de Menores (ASUME)
Childcare and Childhood Integral Development Administration	Administracion para el Cuidado y Desarrollo Integral de la Ninez (ACUDEN)
Controller's Office	Oficina del Contralor (OCPR)
Cooperative Development Commission	Comision de Desarrollo Cooperativo de Puerto Rico (CDCOOP)
Corps of Firefighters Bureau	Negociado del Cuerpo de Bomberos de Puerto Rico
Corps of Medical Emergencies Bureau	Negociado del Cuerpo de Emergencias Medicas de Puerto Rico (CEM)
Court of Appeals	Tribunal de Apelaciones
Court of First Instance	Tribunal de Primera Instancia
Criminal Justice Information System	Sistemas de Informacion de Justicia Criminal (SIJC)
Department of Agriculture	Departamento de Agricultura (DA)
Department of Consumer Affairs	Departamento de Asuntos del Consumidor (DACO)
Department of Correction and Rehabilitation	Departamento de Correccion y Rehabilitacion (DCR)
Department of Economic Development and Commerce	Departamento de Desarrollo Economico y Comercio (DDEC)
Department of Education	Departamento de Educacion (DE)
Department of Family	Departamento de Familia (DF)
Department of Health	Departamento de Salud (DS)
Department of Housing	Departamento de Vivienda (DV)
Department of Justice	Departamento de Justicia (DJ)
Department of Justice - Office of General Solicitor	Departamento de Justicia - Oficina del Procurador General
Department of Labor and Human Resources	Departamento del Trabajo y Recursos Humanos (DTRH)
Department of Natural and Environmental Resources	Departamento De Recursos Naturales Y Ambientales (DRNA)
Department of Public Safety	Departamento de Seguridad Publica de Puerto Rico
Department of Sports and Recreation	Departamento de Recreacion y Deportes (DRD)
Department of State	Departamento de Estado
Department of Treasury	Departamento de Hacienda
Emergency and Disaster Management Bureau	Negociado para el Manejo de Emergencias y Administracion de Desastres (AEMEAD)
Environmental Quality Board	Junta de Calidad Ambiental (JCA)
Family and Children Administration	Administracion de Familias y Ninos (ADFAN)
Forensics Science Bureau	Negociado de Ciencias Forenses de Puerto Rico (ICF)
General Services Administration	Administracion de Servicios Generales (ASG)
Government Ethics Office	Oficina de Etica Gubernamental de Puerto Rico (OEGPR)

Agency	Agencia
Horse Racing Administration	Administracion de la Industria y el Deporte Hipico (AIDH)
House of Representatives	Camara de Representantes
Human Rights Commission	Comision de Derechos Civiles (CDC)
Independent Consumer Protection Office	Oficina Independiente de Proteccion al Consumidor (OIPC)
Industrial Commission	Comision Industrial de Puerto Rico (CIPR)
Investigation, Processing and Appellate Commission	Comision de Investigacion, Procesamiento y Apelacion (CIPA)
Labor Development Administration	Administracion del Desarrollo Laboral (ADL)
Labor Relations Board	Junta de Relaciones del Trabajo (JRT)
Mental Health Services and Addiction Control Administration	Administracion de Servicios de Salud Mental y Contra la Adiccion (ASSMCA)
National Guard of Puerto Rico	Guardia Nacional de Puerto Rico (GNPR)
Natural Resources Administration	Administracion de Recursos Naturales
Office for Community and Socioeconomic Development of Puerto Rico	Oficina para el Desarrollo Socioeconomico y Comunitario de Puerto Rico (ODSEC)
Office of Administration and Transformation of Human Resources in the Government of Puerto Rico	Oficina de Administracion y Transformacion de los Recursos Humanos del Gobierno de Puerto Rico (OCALARH/OATRH)
Office of Court Administration	Oficina De Administracion De Los Tribunales (OAT)
Office of Electoral Comptroller	Oficina del Contralor Electoral (OCE)
Office of Industrial Tax Exemption	Oficina de Exencion Contributiva Industrial (OECI)
Office of Legislative Services	Oficina de Servicios Legislativos (OSLPR)
Office of Management and Budget	Oficina de Gerencia y Presupuesto (OGP)
Office of Municipal Management	Oficina de Gerencia Municipal
Office of the Commissioner of Financial Institutions	Oficina del Comisionado de Instituciones Financieras (OCIF)
Office of the Commissioner of Insurance	Oficina del Comisionado de Seguros (OCS)
Office of the Governor	Gobernador
Office of the OMBUDSMAN	Oficina del OMBUDSMAN
Office of the OMBUDSMAN - Elders and Pensioners	Oficina del Procurador de las Personas de Edad Avanzada (OPPEA)
Office of the OMBUDSMAN - Patients and Health	Oficina del Procurador del Paciente (OPP)
Office of the OMBUDSMAN - Persons with Disabilities	Defensoria de las Personas con Impedimentos (OPPI)
Office of the OMBUDSMAN - Veterans	Oficina del Procurador del Veterano (OPV)
Office of the OMBUDSMAN - Women	Oficina de la Procuradora de las Mujeres (OPM)
Office of the Solicitor - Special Independent Prosecutor	Panel Fiscal Especial Independiente (PFEI)
Parole Board	Junta de Libertad Bajo Palabra (JLBP)
Permits Management Office	Oficina de Gerencia de Permisos (OGPe)
Planning Board	Junta de Planificacion (JP)
PR Federal Affairs Administration	Administracion de Asuntos Federales de Puerto Rico (PRFAA)
Pretrial Services Program	Programa de Servicios con Antelacion al Juicio (PSAJ)
Program of Youth Affairs	Programa de Desarrollo de la Juventud (OAJ)
Public Housing Administration	Administracion de Vivienda Publica (AVP)
Public Service Appellate Commission	Comision Apelativa del Servicio Publico (CASP)
Public Service Commission	Comision de Servicio Publico (CSP)
Puerto Rico Education Council	Consejo de Educacion de Puerto Rico (CEPR)
Puerto Rico Energy Administration	Administracion de Energia de Puerto Rico (AAE)

Agency	Agencia
Puerto Rico Energy Commission	Comisión de Energía de Puerto Rico (PREC)
Puerto Rico Police Bureau	Negociado de la Policía de Puerto Rico (PPR)
Senate	Senado
Socioeconomic Development of the Family Administration	Administracion de Desarrollo Socioeconomico de la Familia (ADSEF)
State Elections Commission	Comision Estatal de Elecciones de Puerto Rico (CEEPR)
State Historic Conservation Office	Oficina Estatal de Conservacion Historica (OECH)
State Office of Energy Public Policy	Oficina Estatal de Política Pública Energética (OPEPPE)
Statistics Institute of PR	Instituto de Estadisticas de Puerto Rico
Superintendent of the Capitol	Superintendente del Capitolio
Supreme Court	Tribunal Supremo
Telecommunications Regulatory Board	Junta Reglamentadora de Telecomunicaciones de Puerto Rico (JRTPR)
Transit Safety Commission	Comision para la Seguridad en el Transito (CST)
Transportation and Public Works	Departamento de Transportacion y Obras Publicas (DTOP)
Vocational Rehabilitation Administration	Administracion de Rehabilitacion Vocacional (ARV)